



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FAYETTE COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

April 30, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
SHERIFF'S SETTLEMENT - 2000 TAXES

April 30, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Fayette County Sheriff as of April 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Net tax yield for 2000 taxes was \$134,370,866. The Sheriff distributed taxes of \$131,736,905 to the districts for 2000 Taxes. Taxes of \$18,467 are due to the districts from the Sheriff and refunds of \$2,199 are due to the Sheriff from the taxing districts.

Debt Obligations:

None.

Report Comments:

None.

Deposits:

The sheriff's deposits were insured and collateralized by bank securities or bonds.

Subsequent Events:

None.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Pam Miller, Mayor
Honorable Kathy Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Independent Auditor's Report

We have audited the Fayette County Sheriff's Settlement - 2000 Taxes as of April 30, 2001. This tax settlement is the responsibility of the Fayette County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares its financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Fayette County Sheriff's taxes charged, credited, and paid as of April 30, 2001, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Pam Miller, Mayor

Honorable Kathy Witt, Fayette County Sheriff

Members of the Lexington-Fayette Urban County Government Council

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
August 10, 2001

FAYETTE COUNTY
KATHY WITT, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

April 30, 2001

<u>Charges</u>	Full/Partial Services			
	<u>County Taxes</u>	<u>Fund Taxes</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 10,186,896	\$ 22,153,898	\$ 67,742,859	\$ 17,954,413
Tangible Personal Property	1,141,839		7,563,131	4,224,787
Intangible Personal Property				2,700,242
Inventory In-Transit	53,753		357,792	
Exonerations Prior to Billing	(5,156)	(4,066)	(34,287)	(9,062)
Increased Through Erroneous				
Assessments	2,435	2,979	16,190	16,891
Omitted Taxes	795		5,279	1,545
Franchise Corporation	551,224	317,378	3,672,180	
Additional Billings	4,732	12,198	53,966	14,580
Supplemental Billings	5,137	13,680	34,206	9,239
Limestone, Sand, and Mineral Reserves	774	1,282	5,147	1,364
Domestic Life Insurance	3,028	1,857		
Broker's Accounts				42,566
Interest	82	102	552	80
Penalties	39,490	74,541	262,719	79,508
Adjusted to Sheriff's Receipt	(775)	(1,200)	(5,160)	(1,270)
Gross Chargeable to Sheriff	<u>\$ 11,984,254</u>	<u>\$ 22,572,649</u>	<u>\$ 79,674,574</u>	<u>\$ 25,034,883</u>
<u>Credits</u>				
Exonerations	\$ 84,584	\$ 17,166	\$ 562,483	\$ 265,521
Discounts	186,203	366,927	1,237,734	406,405
Delinquents:				
Real Estate	123,705	267,770	822,640	218,032
Tangible Personal Property	9,340		62,110	27,195
Intangible Personal Property				16,245
Additional Billings	1,922	5,130	12,799	3,450
Omitted Taxes	13		87	24
Franchise Taxes	4,967	200	33,188	
Uncollected:				
Additional Billings	1,092	2,507	7,277	1,947
Supplemental Billings	970	2,613	6,450	1,709
Franchise Taxes	15,053	19,929	100,107	
Total Credits	<u>\$ 427,849</u>	<u>\$ 682,242</u>	<u>\$ 2,844,875</u>	<u>\$ 940,528</u>

FAYETTE COUNTY
 KATHY WITT, SHERIFF
 SHERIFF'S SETTLEMENT - 2000 TAXES
 April 30, 2001
 (Continued)

	Full/Partial Services			
	County Taxes	Fund Taxes	School Taxes	State Taxes
Net Tax Yield	\$ 11,556,405	\$ 21,890,407	\$ 76,829,699	\$ 24,094,355
Less: Commissions *	<u>491,435</u>	<u>150,000</u>	<u>768,297</u>	<u>1,024,298</u>
Net Taxes Due	\$ 11,064,970	\$ 21,740,407	\$ 76,061,402	\$ 23,070,057
Taxes Paid	11,047,295	21,719,984	75,926,121	23,043,504
Refunds (Current and Prior Year)	<u>19,874</u>	<u>19,388</u>	<u>117,903</u>	<u>26,499</u>
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	<u>\$ (2,199)</u>	<u>\$ 1,035</u>	<u>\$ 17,378</u>	<u>\$ 54</u>

* Commissions:

10% on \$ 10,000
 4.25% on \$ 35,640,760
 1% on \$ 76,829,699
 \$150,000 on Full/Partial Services Fund Taxes

The accompanying notes are an integral part of the financial statement.

FAYETTE COUNTY
NOTES TO FINANCIAL STATEMENT

April 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A list of Fayette County Sheriff's Fund Types, a definition of each, and a list of funds included within each fund type are listed below.

1) Governmental Fund Category

a) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Fayette County Sheriff's General Fund Type includes the following funds: Fee Account (Not included in this audit)

b) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. Drug Forfeiture Account of the Sheriff is reported as a Special Revenue Fund Type. (Not included in this audit)

2) Fiduciary Fund Category

a) Agency Fund Type

Agency Fund Type is made up of clearing accounts used to account for assets held for other funds, governments, or individuals. Agency funds are custodial in nature; that is, their assets equal their liabilities. The Fayette County Sheriff's Agency Fund Type includes the following fund: Tax Account

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

FAYETTE COUNTY
NOTES TO FINANCIAL STATEMENT
April 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 30, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 29, 2000 through April 5, 2001.

Note 4. Interest Income

The Fayette County Sheriff earned \$151,610 as interest income on 2000 taxes. School tax collections are generally wire transferred to the school board each business day resulting in no allocation of interest earned to the school board. This amount will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Fayette County Sheriff collected \$343,648 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

FAYETTE COUNTY
NOTES TO FINANCIAL STATEMENT
April 30, 2001
(Continued)

Note 6. Advertising Costs And Fees

The Fayette County Sheriff collected \$10,035 of advertising costs and \$5,575 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. As of April 30, 2001, the Sheriff had \$79,044 in duplicate payments which had not been returned to the taxpayer. Therefore, the Sheriff should send a written report to the Treasury Department.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Fayette County Sheriff's Settlement - 2000 Taxes as of April 30, 2001, and have issued our report thereon dated August 10, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fayette County Sheriff's Settlement - 2000 Taxes as of April 30, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fayette County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 10, 2001

